

**BILL ANALYSIS**

C.S.H.B. 2537  
By: Geren  
Licensing & Administrative Procedures  
Committee Report (Substituted)

**BACKGROUND AND PURPOSE**

Texas wineries have been a successful and growing segment of the alcoholic beverage industry, but interested parties note that while wineries are included in the manufacturing tier of the Texas three-tiered distribution system, they are not currently obligated to manufacture wine. C.S.H.B. 2537 seeks to impose a manufacturing obligation on Texas wineries as a condition of holding a winery permit, similar to that imposed on manufacturers of beer, without impairing the rights of purchase and sale currently held by Texas wineries or limiting the growth of Texas wineries or the Texas wine industry.

**RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

**ANALYSIS**

C.S.H.B. 2537 amends the Alcoholic Beverage Code to require the holder of a winery permit to produce, bottle, or blend at least 200 gallons of wine or fruit brandy annually beginning in the 12-month period preceding the third anniversary of the date the winery's original permit is issued. The bill adds a temporary provision, set to expire September 1, 2017, to require a holder of a winery permit issued before September 1, 2013, to produce, bottle, or blend at least 200 gallons of wine or fruit brandy annually beginning in the 12-month period preceding September 1, 2016.

C.S.H.B. 2537 authorizes these required winery activities to be done through an operating agreement between winery permit holders or through an agreement with another winery in Texas for a bottling brand under an Alcohol and Tobacco Tax and Trade Bureau Basic Permit trade name application. The bill specifies that failure to comply with its provisions constitutes grounds to cancel or suspend a winery permit or deny an application for renewal of a winery permit.

**EFFECTIVE DATE**

September 1, 2013.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2537 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED	HOUSE COMMITTEE SUBSTITUTE
SECTION 1. Chapter 16, Alcoholic	SECTION 1. Chapter 16, Alcoholic

Beverage Code, is amended by adding Section 16.012 to read as follows:

Sec. 16.012. PRODUCTION REQUIREMENTS. (a) The holder of a winery permit must produce or blend wine in sufficient quantities as to make the winery a bona fide manufacturing operation before the third anniversary of the date the winery's original permit is issued.

(a-1) Notwithstanding Subsection (a), the holder of a winery permit issued before September 1, 2013, must produce or blend wine in sufficient quantities as to make the winery a bona fide manufacturing operation before September 1, 2016. This subsection expires September 1, 2017.

(b) Proof that the winery has sold wine that it has produced or blended, bottled, and labeled is prima facie evidence that the winery is a bona fide manufacturing operation.

(c) The winery activities required by this section may be done through an agreement authorized by Section 16.05 or through an agreement with another winery in this state for a bottling brand under an Alcohol and Tobacco Tax and Trade Bureau Basic Permit trade name application.

(d) Failure to comply with this section constitutes grounds to cancel or suspend a winery permit or deny an application for renewal of a winery permit.

SECTION 2. This Act takes effect September 1, 2013.

Beverage Code, is amended by adding Section 16.012 to read as follows:

Sec. 16.012. PRODUCTION REQUIREMENTS. (a) The holder of a winery permit must produce, bottle, or blend at least 200 gallons of wine or fruit brandy annually beginning in the 12-month period preceding the third anniversary of the date the winery's original permit is issued.

(a-1) Notwithstanding Subsection (a), the holder of a winery permit issued before September 1, 2013, must produce, bottle, or blend at least 200 gallons of wine or fruit brandy annually beginning in the 12-month period preceding September 1, 2016. This subsection expires September 1, 2017.

(b) The winery activities required by this section may be done through an agreement authorized by Section 16.05 or through an agreement with another winery in this state for a bottling brand under an Alcohol and Tobacco Tax and Trade Bureau Basic Permit trade name application.

(c) Failure to comply with this section constitutes grounds to cancel or suspend a winery permit or deny an application for renewal of a winery permit.

SECTION 2. Same as introduced version.